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SUBJECT: NICARAGUAN EXPORTS DOWN 19% TO START 2009

REF: A. MANAGUA 273, B. MANAGUA 242, C. MANAGUA 173; D. MANAGUA 168; E. 08 MANAGUA 763; F. 08 MANAGUA 254

Summary

¶1. (U) Summary. Nicaraguan exports demonstrated their vulnerability to the global economic crisis, falling 19% during the first two months of 2009 compared to the same period in 2008, according to data compiled by the Nicaraguan Government. U.S. Department of Commerce data for January show declines of 22% and 43%, respectively, for apparel and automobile wiring, two goods produced in free trade zones and not included in Nicaraguan data. In the face of declining demand for export products, the government continues to favor populist economic programs over those that would improve export competitiveness. End summary.

Exports Fall 19% First Two Months of 2009

¶2. (U) Nicaraguan exports demonstrated their vulnerability to the global economic crisis, falling 19% during the first two months of 2009 compared to the same period in 2008, according to data prepared by the Center for Export Transactions (CETREX). The decline affected most major exports. Live cattle and beef exports fell by 16%, coffee by 23% (Ref D), beans by 13%, and peanuts by 29%. Lobster exports fell 54%, farmed shrimp by 14%, and fish by 12% (Ref B).

¶3. (U) Sugar exports fell by 88% year-on-year, but this reflected shipping delays and additional ethanol production more than a fall in prices or sugarcane production. The industry plans to export 80 million liters of ethanol to Europe this year, up from 50 million liters in 2008. One bright spot was exports of dairy products, which rose 8%. Producers report that demand has remained strong for these products, especially in Central America.

¶4. (SBU) Airline representatives told econoff that northbound cargo is down 22% so far this year, especially for apparel and lobsters. U.S. shipping company Crowley reported in January that it was shipping many fewer containers to the United States, mostly as a result of a fall in apparel and fresh produce sales. Roberto Brenes, Executive Director of the Center for Exports and Investment (CEI, formerly NICAEXPORT, the government-affiliated export promotion agency), told econoff that exports declined 27% for the month of January -- the largest one-month decline in the past five years.

¶5. (U) These declines come on the heels of what was steady export growth over the past few years. Executive Director of CETREX Jorge Molina tc

Nicaraguan Export Data

¶6. (U) The following table summarizes Nicaraguan export data (figures in millions of dollars and percentage change, as noted):

Product	2007	2008	Chng	%	YTD 2008	YTD 2009	% Chng
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Coffee	\$185	\$278	50%		\$44.7	\$34.3	-23%
Beef	\$183	\$215	17%		\$33.9	\$30.3	-10%
Dairy	\$96	\$123	28%		\$20.7	\$22.3	8%
Peanuts	\$56	\$91	61%		\$17.8	\$12.6	-29%
Gold	\$65	\$84	29%		\$14.3	\$17.1	20%
Beans	\$40	\$82	103%		\$9.1	\$7.9	-13%
Shrimp, farmed	\$37	\$63	68%		\$2.2	\$1.9	-14%
Lobster	\$49	\$53	9%		\$13.4	\$6.1	-54%
Sugar	\$75	\$51	-32%		\$17.2	\$2.1	-88%
Cattle	\$42	\$27	-35%		\$5.6	\$2.7	-52%
Other	\$426	\$493	16%		\$89.2	\$79.8	-10%
TOTAL	\$1,255	\$1,558	24%		\$268.1	\$217.3	-19%

¶7. (U) CETREX data do not reflect exports shipped from free trade zones (FTZs), which are primarily textiles and apparel, wiring harnesses for

Government Response

¶8. (U) Minister of Trade, Industry, and Development Orlando Solorzano has expressed confidence that Nicaraguan exports will regain strength du

¶9. (U) Roberto Brenes of CEI told econoff that he believes demand for many agricultural commodities will remain strong. He noted that prices have remained stable for many commodities. Nonetheless, Brenes recognizes that achieving 10% export growth for 2009, as the government had forecast, "will depend on efforts taken by the government to minimize the effects of the international crisis."

Comment

¶10. (SBU) The Ortega Administration has put little effort into policymaking that would improve competitiveness in the face of collapsing demar

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